

**NEIGHBORHOOD NONPROFIT  
HOUSING CORPORATION**

FINANCIAL STATEMENTS

JUNE 30, 2008

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1
<b>Financial Statements</b>	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5-10
<b>Supplementary Schedule</b>	
Schedule of Functional Expenses.....	11
<b>Reports and Schedules Required by the Single Audit Act and Governmental Auditing Standards</b>	
Schedule of Expenditures of Federal Awards.....	12
Notes to Schedule of Expenditures of Federal Awards.....	13
Schedule of Findings and Questioned Costs.....	14
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	15-16
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	17-18

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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## Independent Auditor's Report

Neighborhood Nonprofit Housing Corporation  
Logan, UT

February 2, 2009

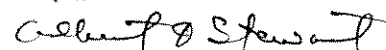
We have audited the accompanying statement of financial position of Neighborhood Nonprofit Housing Corporation (a nonprofit organization) as of June 30, 2008, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood Nonprofit Housing Corporation as of June 30, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2009, on our consideration of Neighborhood Nonprofit Housing Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Neighborhood Nonprofit Housing Corporation taken as a whole. The accompanying schedules of expenditures of federal awards and functional expenses are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not required parts of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The schedule of functional expenses has not been submitted to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



GILBERT & STEWART  
Certified Public Accountants

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**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2008**

***ASSETS***

Current Assets			
Cash	\$	748,684	
Accounts Receivable		224,355	
Prepaid Expenses		6,112	
Land and Improvements for Resale		2,413,015	
Cash - Restricted		573,144	
Total Current Assets			\$ 3,965,310
Fixed Assets			
Property and Equipment - Net			189,139
Other Assets			
Homebuyer Subsidy Receivables		129,430	
Warranty Bond Receivable		1,000	
Total Other Assets			130,430
Total Assets			<u>\$ 4,284,879</u>

***LIABILITIES AND NET ASSETS***

Current Liabilities			
Accounts Payable	\$	118,672	
Accrued Payroll Liabilities		21,896	
Accrued Compensated Absences		14,331	
Deferred Revenue		15,250	
Line of Credit		106,236	
Other Accrued Liabilities		11,113	
502 Custodial Funds Held in Trust - Restricted		488,967	
Total Current Liabilities			\$ 776,465
Long-Term Liabilities			
Payable to Housing Assistance Council		1,069,561	
Total Long-Term Liabilities			1,069,561
Total Liabilities			1,846,026
Net Assets			
Temporarily Restricted		191,530	
Unrestricted		2,247,323	
Total Net Assets			2,438,853
Total Liabilities & Net Assets			<u>\$ 4,284,879</u>

*See accompanying notes.*

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

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Unrestricted Net Assets		
Support and Revenues		
Grant Revenue	\$ 815,319	
Development Revenue	1,546,254	
Other Revenue	262,475	
Assets Released from Restrictions	<u>8,975</u>	
Total Support		\$ 2,633,023
Expenses		
Program Services		
Housing Assistance	1,837,274	
Supporting Services		
Management and General	93,365	
Fund Raising	<u>13,219</u>	
Total Expenses		<u>1,943,858</u>
Increase in Unrestricted Net Assets		<u>689,165</u>
Temporarily Restricted Net Assets		
Support and Revenues		
Grant and Donation Revenue		185,176
Assets Released from restrictions		<u>(8,975)</u>
Increase (Decrease) in Temporarily Restricted Net Assets		<u>176,201</u>
Total Increase in Net Assets		865,366
Net Assets - Beginning		<u>1,573,487</u>
Net Assets - Ending		<u><u>\$ 2,438,853</u></u>

See accompanying notes.

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2008

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### Cash Flows from Operating Activities:

Increase in Total Net Assets	\$	865,366	
Adjustments to Reconcile Increase in Net Assets			
To Net Cash from Operating Activities:			
Depreciation		23,639	
(Increase) Decrease in Accounts Receivable		(109,472)	
(Increase) Decrease in Subsidy Receivables		(109,430)	
(Increase) Decrease in Prepaid Expenses		(1,104)	
(Increase) Decrease in Land for Resale		(249,990)	
Increase (Decrease) in Accrued Liabilities		(36,458)	
Increase (Decrease) in Deferred Revenue		(38,450)	
Net Cash Provided (Used) by Operating Activities			344,101

### Cash Flows from Investing Activities:

Purchase of Improvements		(212,821)
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### Cash Flows from Financing Activities:

Proceeds from Loan	208,669	
Proceeds from Line of Credit	106,236	
Decrease in Trust Fund Liability	(103,320)	
Payments on Loans	(287,510)	
Net Cash Provided by Financing Activities		(75,925)

Net Increase (Decrease) in Cash and Cash Equivalents	55,355
Cash and Cash Equivalents - Beginning	1,266,473
Cash and Cash Equivalents - Ending	1,321,828

### Supplementary Information

Interest Paid	-
Taxes Paid	-

See accompanying notes.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Status

Neighborhood Nonprofit Housing Corporation (the Company) is a nonprofit organization established under the laws of the State of Utah on January 18, 1996, for the purpose of assisting low income families obtain affordable housing. The housing is currently located in Cache and Box Elder Counties. The Company relies on support from government grants and loans and private resources. The Company is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. The Company is classified as other than a private foundation.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported when applicable as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes.

The Company shows restricted contributions and support whose restrictions are met in the same reporting period as unrestricted support.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make assumptions and estimates that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 – SUMMARY (CONTINUED)**

Restricted Cash

Restricted cash is cash from government grants or loans that are restricted for land purchases or other grant requirements.

Accounts Receivable

Accounts receivable are amounts due principally from grant reimbursements for expenses paid by the Company. There is no provision for uncollectible amounts.

Contingent Loans Receivable

Amounts are given to homebuyers to assist them with closing or down payment costs. The funds do not have to be repaid unless the home is sold or refinanced within a certain time period. No receivable amounts are reflected in the statement of financial position for these contingent loans.

Property, Equipment and Depreciation

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Amounts in excess of \$2,500 are capitalized as property and equipment. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over estimated useful lives of 5 - 10 years.

Deferred Revenue

Revenues received in advance of services performed are reported as a current liability. Included in deferred revenue are grant monies received but not yet expended of \$15,250 at June 30, 2008.

**NOTE 2 - PROPERTY AND EQUIPMENT**

As of June 30<sup>th</sup>, property and equipment consist of:

	<u>2008</u>
Office Leasehold Improvements	\$ 9,367
Office Building and Improvements Work-in-Process	78,652
Equipment	206,688
Office Equipment	35,182
Less: Accumulated Depreciation	( 140,750)
	<u>\$ 189,139</u>

Current year depreciation is \$23,639.



**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 3 - ECONOMIC DEPENDENCY AND CONCENTRATIONS OF RISK**

Substantially all of the revenues received by the Company come from government grants. Many programs operated by the Company depend upon continued funding by these government agencies. At year end, the cash balance exceeded the FDIC Insurance limit by \$1,208,706. These funds are in a bank sweep account which is money management compliant. The investments are Triple-A Rated.

**NOTE 4 – TRUST FUNDS**

The checking account for the self-help participants is shown in the balance sheet as restricted cash offset by the trust fund liability. Neighborhood Nonprofit Housing Corporation is an owner of this account and has signature responsibility for it.

**NOTE 5 - RETIREMENT**

The Company has a SEP IRA retirement plan in which the employer contributes 13% of the employees' compensation. The employer's contribution for retirement expense was \$43,921 for the current year.

**NOTE 6 –HOMEBUYER SUBSIDY RECEIVABLES**

As part of the normal operations of the Company, land is purchased and then sold to low-income families. The benefits are 0% interest loans that lower monthly mortgage payments to assist low-income families in purchasing a home. In many cases, these receivables can also be forgiven. These are subsidized loans to homebuyers; loans for lots and closing cost assistance are covered by grants received from the State and Federal government. These subsidies were \$129,430 during the year ended June 30, 2008. The Company has a secured interest in these properties. This amount is not forgivable and will be returned to the Company when the house is sold. The subsidies for 2008 are carried as long-term receivables. The subsidies for prior years are potentially forgivable after a few years and have been expensed.

**NOTE 7 - LOANS PAYABLE**

SHOP - Loans from Housing Assistance Council are potentially forgivable by HAC at an interest rate of 0%. These loans have original maturity due dates in various years, but are recorded as long-term liabilities due to the anticipated forgiveness by HAC.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 7 – LOANS PAYABLE (CONTINUED)**

The SHOP 1999 loan of \$110,000 was repaid in the prior year. However, in 2008 this loan was forgiven in its entirety of \$110,000. The Housing Assistance Council issued a check for this amount in June 2008.

1. Interest received on cash held	\$ 12,561
2. #4-505-0112	180,000
3. #4-714-0312	328,000
4. #4-911-0604	315,000
5. #4-107-0612	90,000
6. #4-106-0612	<u>144,000</u>
Total	<u>\$1,069,561</u>

Future aggregate maturities of debt are:

	<u>Amount</u>	<u>Interest</u>
Unknown time period – expected to be forgiven	<u>\$1,069,561</u>	<u>\$ 0</u>

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Net assets are temporarily restricted for:

Administration or financial assistance to low-income home buyers	<u>\$191,530</u>
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**NOTE 9 – DEVELOPMENT COSTS**

Costs incurred to bring land development projects to completion are reflected as land and improvements for resale on the Statement of Financial Position until such time that the development is completed. Development costs are recorded to the Statement of Activities as lots are sold.

**NOTE 10 – COMMITMENTS**

Neighborhood Nonprofit Housing Corporation was approved in October 2006 for a letter of credit from the Housing Assistance Council in the amount of \$1,042,485 as a performance guarantee on the Country Meadows Development. In March 2008, the line of credit was reduced to \$354,308. The land is collateral for the line of credit. As of the end of the year the project is substantially complete, and it is anticipated that line of credit will be terminated in April 2009.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 10 – COMMITMENTS (*CONTINUED*)**

In April 2008, the Company was approved for a \$1,000,000 revolving line of credit from the UBS Bank. This line of credit was established to fund the acquisition and rehabilitation of existing single-family dwellings in downtown neighborhoods in Logan City. As of June 30, 2008, the outstanding line of credit was \$106,236, which is secured by a home in process of being rehabilitated worth \$139,849.

**NOTE 11 – RELATED ENTITY**

Neighborhood Nonprofit Housing Corporation is the sole member of Neighborhood Lending Services, LLC. This limited liability company was organized to provide direct lending to families served by the Company. Income and expenses of \$1,571 are shown on the Statement of Activities of the Company, and cash and accounts payable of \$1,671 are shown on the Statement of Financial Position.

**NOTE 12 – SUBSIDY RECAPTURES**

Logan Meadows notes are written with Logan City as the beneficiary. Logan City keeps recaptured funds. (At one point, some funds were given to Neighborhood Nonprofit Housing Corporation for the WH program.) First year – Welcome Home notes are written with Logan City as the beneficiary – a jointly signed MOU states that all recaptured funds will go to Neighborhood Nonprofit Housing Corporation to be used for the WH program. Second year – Welcome Home notes are written with Neighborhood Nonprofit Housing Corporation as the beneficiary – recaptured funds will be used for the WH program.

**NOTE 13 – OLENE WALKER HOUSING LOAN FUND, HOME FUNDS**

Neighborhood Nonprofit Housing Corporation is allocated funds from the Olene Walker Housing Loan Fund (OWHLF) to be used for our Mutual Self Help Housing participants. Neighborhood Nonprofit Housing Corporation does not receive these funds; the contract states that Neighborhood Nonprofit Housing Corporation will select qualified Self Help participants to receive these second mortgages. The OWHLF is the trustee on these notes and monthly payments are made by the borrowers to OWHLF.

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 13 – OLENE WALKER HOUSING LOAN FUND, HOME FUNDS**

Neighborhood Nonprofit Housing Corporation does not carry a value for these notes on its Balance Sheet. The total amount of funding of \$45,305 was passed through by the title company to the participants with the lowest ratio of household median income as low, fixed rate housing loans. Neighborhood Nonprofit Housing Corporation does not front or receive the money in house for distribution. No provision is made in the loan criteria to recapture the loan funds for further distribution by Neighborhood Nonprofit Housing Corporation.

July 2007 – June 2008

OWHLF #06-0895	\$ 6,095
OWHLF #07-1009	3,210
OWHLF #07-0959	<u>36,000</u>
Total Funds Expended	<u>\$ 45,305</u>

**NOTE 14 – NEIGHBORHOOD NONPROFIT HOUSING CORPORATION CDBG FUNDS**

Neighborhood Nonprofit Housing Corporation receives CDBG funding for specific affordable housing projects. When the funds are used for a subdivision, an equal share of the CDBG funds are given to each lot via a trust deed and note, with the Company as the beneficiary. The addendum shows a forgiveness period dependent on the amount of funding received. Due to the forgiveness period on these notes, Neighborhood Nonprofit Housing Corporation does not expect to receive payment on these funds. Neighborhood Nonprofit Housing Corporation has expensed these funds; the value of these notes are not carried on the Balance Sheet.

**Note Rec, CDBG PH8, 100% 04/2008**

Record CDBG Trust Deed Notes, PH8 Nibley. 9 x 3260.87	\$ 29,348
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**Note Rec, CDBG PH9, 100% 08/2008**

Record CDBG Trust Deed Notes, PH9 Nibley. 7 x 3260.87	22,826
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**Note Rec, CDBG PHB, 100% 04/2012**

Record CDBG Trust Deed Notes, PHB Brigham City. 6 x 7065.56	42,393
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**Note Rec, CDBG PHC, 100% 08/2012**

Record CDBG Trust Deed Notes, PHB Brigham City. 2 x 7065.56	<u>14,131</u>
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Expensed JE 320 06/30/06

Total outstanding amounts	<u>\$108,698</u>
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## **SUPPLEMENTARY SCHEDULE**

**NEIGHBORHOOD NONPROFIT HOUSING CORPORATION****SCHEDULE OF FUNCTIONAL EXPENSES****FOR THE YEAR ENDED JUNE 30, 2008**

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	Program	Management and General	Fund Raising	Total
Development Expenses	\$ 1,104,248	\$ -	\$ -	\$ 1,104,248
Direct Subsidies to Homebuyers	176,739	-	-	176,739
Salaries	354,167	66,108	10,762	431,037
Taxes and Benefits	84,072	13,204	1,543	98,819
Office and Supplies	19,823	3,282	288	23,393
Insurance	6,808	284	-	7,092
Depreciation	22,795	726	118	23,639
Professional	50	6,060	-	6,110
Rent	11,477	2,142	349	13,968
Travel	11,132	739	159	12,030
Other	45,963	820	-	46,783
	<u>\$ 1,837,274</u>	<u>\$ 93,365</u>	<u>\$ 13,219</u>	<u>\$ 1,943,858</u>
Total				

**REPORT AND SCHEDULES REQUIRED BY:**

**THE SINGLE AUDIT ACT  
GOVERNMENT AUDITING STANDARDS**

# NEIGHBORHOOD NONPROFIT HOUSING CORPORATION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Thru Grantor's Number	Disbursements or Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Self-Help Housing Technical Assistance - Grant #7	10.420		\$ 565,824
<u>U.S. Department of Housing &amp; Urban Development</u>			
<i>Passed Through Housing Assistance Council</i>			
Self-Help Home Ownership Program - Loan - SHOP 2001	14.247		180,000
Self-Help Home Ownership Program - Loan - SHOP 2003	14.247		328,000
Self-Help Home Ownership Program - Loan - SHOP 2005	14.247		315,000
Self-Help Home Ownership Program - Loan - SHOP 2006	14.247		234,000
Self-Help Home Ownership Program - Interest Earned	14.247		12,561
<i>Passed Through Logan City</i>			
Community Development Block Grant	14.218		25,000
<i>Passed Through Brigham City</i>			
Community Development Block Grant	14.228		100,000
<i>Passed Through Rural Community Assistance Corporation</i>			
Housing Counseling - Grant	14.169		28,780
<i>Passed Through Utah State Division of Housing and Community Development</i>			
HOME Investment Partnership Program - Loan *	14.239	07-0959	36,000
HOME Investment Partnership Program - Loan *	14.239	07-1009	3,210
HOME Investment Partnership Program - Loan *	14.239	06-0895	6,095
HomeChoice Administration - Grant	14.239	08-0790	36,000
Total U.S. Dept. of Housing & Urban Development			1,304,646
Total Expenditures of Federal Awards			\$ 1,870,470

\* Passed through to participant.

*See accompanying notes.*



**Neighborhood Nonprofit Housing Corporation**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of activities related to the Company's expenditure of Federal awards. The schedule has been prepared on the same basis as the financial statements. Most of the awards are reimbursement based. Therefore, as expenditures of Federal funds are made, revenue is recognized.

**NOTE B - DEFERRED REVENUE**

The financial statements include deferred revenue from Federal programs. This deferred revenue is accrued using the same basis as the financial statements. The deferred revenue reflects Federal awards that have been received by year end and not yet expended.

**NOTE C - LOAN BALANCES**

Outstanding Federal loan balances at year end are:

<u>SHOP Funds</u>	
Interest Earned on SHOP Funds	\$ 12,561
#4-505-0112	180,000
#4-714-0312	328,000
#4-107-0612	90,000
#4-106-0612	144,000
#4-911-0604	<u>315,000</u>
Total	<u>\$1,069,561</u>

**Neighborhood Nonprofit Housing Corporation**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Neighborhood Nonprofit Housing Corporation.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Neighborhood Nonprofit Housing Corporation were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Neighborhood Nonprofit Housing Corporation expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Neighborhood Nonprofit Housing Corporation are reported in Part C. of this schedule.
7. The program tested as a major program was Rural Self-Help Housing Technical Assistance – Grant #7, CFDA #10.420.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Neighborhood Nonprofit Housing Corporation was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS**

None

**D. FINDINGS – PRIOR YEAR**

None

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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## Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Neighborhood Nonprofit Housing Corporation  
Logan, UT

February 2, 2009

We have audited the financial statements of Neighborhood Nonprofit Housing Corporation, (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Neighborhood Nonprofit Housing Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Nonprofit Housing Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

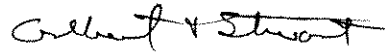
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhood Nonprofit Housing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Gilbert & Stewart", written in a cursive style.

GILBERT & STEWART  
*Certified Public Accountants*

# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION

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## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Neighborhood Nonprofit Housing Corporation  
Logan, UT

February 2, 2009

### Compliance

We have audited the compliance of Neighborhood Nonprofit Housing Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Neighborhood Nonprofit Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Neighborhood Nonprofit Housing Corporation's management. Our responsibility is to express an opinion on Neighborhood Nonprofit Housing Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood Nonprofit Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Neighborhood Nonprofit Housing Corporation's compliance with those requirements.

In our opinion, Neighborhood Nonprofit Housing Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of Neighborhood Nonprofit Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Neighborhood Nonprofit Housing Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing

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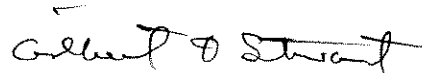
procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Nonprofit Housing Corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART  
*Certified Public Accountants*